

Internal Revenue Service
Tax-Exempt & Government Entities Division
Office of Exempt Organizations
Draft Form 990 Redesign – Schedule M
June 14, 2007

Rationale

Schedule M is a new schedule. The Service continues to remain concerned about overvalued charitable deductions involving non-cash contributions. As issues have arisen, it was widely recognized that the current Form 990 was inadequate in identifying organizations that receive particular categories of property. Schedule M attempts to identify and value various non-cash contributions received by an organization.

Overview

- Schedule M requires an organization to indicate the items that are reported on Form 990, Part IV, line 1g, if the amount on that line exceeds \$5,000.
- It requires organizations that receive over \$5,000 of non-cash contributions to provide detail regarding various types of non-cash contributions, including publicly traded and closely held securities, intellectual property, cars, art, collectibles, real estate interests, conservation easements, household goods, and clothing.
- It obtains valuation information used by the organization to report revenues and assets on its financial statements relating to the types of properties received by the organization.

20XX Schedule M Instructions

Purpose of Schedule

To identify the types of non-cash charitable contributions received during the year by charitable donee organizations and provide reporting of certain information regarding such contributions. The Schedule requires reporting of the quantity and financial statement values of non-cash contributions received by type of property. Do not report non-cash contributions received by the organization in a prior year. Items that do not satisfy specific charitable deduction requirements applicable to the contribution of such type of property, but which were contributed to the organization, are to be reported separately in “other” on lines 23 through 26.

Who Must File

An organization must file Schedule M if it reported more than \$5,000 of aggregate non-cash contributions on Form 990, Part IV, line 1g, or if it received during the year any contributions of art, historical treasures, other similar assets, or qualified conservation contributions, regardless of whether it reported any revenues for such contributions in Part IV. The following types of organizations may receive deductible non-cash charitable contributions and must report on Schedule M if they satisfy the filing threshold:

1. An organization described in section 501(c)(3) (other than a private foundation or organization that tests for public safety),
2. A domestic fraternal organization described in section 501(c)(8) or (10) that uses charitable contributions exclusively for charitable purposes,
3. A cemetery company described in section 501(c)(13), or
4. A veterans' organization that meets the requirements to receive deductible contributions under section 170(c)(3) (see Rev. Rul. 84-140, 1984-2 C.B. 56).

Column (a). Quantity

In column (a) enter the number of items, interests, collections, properties, etc., as appropriate for the type of property, received during the year. As described below, for each security, such as publicly traded stock, treat each separate gift (rather than each share received) as an item for this purpose. For all other types of property, provide the number of items contributed to the organization. If precise numbers are not regularly kept by the organization, provide a good faith estimate.

Column (b). Revenues reported on Form 990, Part IV, line 1g

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In column (b), enter the revenues reported on Form 990, Part IV, line 1g, for the property type.

Column (c). Method of Valuation

In column (c) describe the method by which the donation was valued (e.g., cost or selling price of the donated property, sale of comparable properties, replacement cost, opinions of experts, etc.). See *Publication 561, Determining the Value of Donated Property*, for more information. If multiple methods were used for a property type, list all that apply.

Column (d). Amount reported on Form 990, Part VI

Enter the amount reported on Form 990, Part VI, as of the end of the year for each property type received during the year. If no amount was reported, enter zero.

Lines 1-3. Art

Art includes paintings, sculptures, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare books and manuscripts, historical memorabilia and other similar objects. Art does not include collectibles such as coins, stamps, books, gems, jewelry, sports memorabilia, dolls, etc., which are reported on line 19.

Line 1. Art—Fractional Interest

A contribution of a **fractional interest** in art is a contribution, not in trust, of an undivided portion of a donor's entire interest in a work of art. An undivided portion of a donor's entire interest must consist of a fraction or percentage of each and every substantial interest or right owned by the donor in such work of art and must extend over the entire term of the donor's interest in such work of art. A gift generally is treated as a gift of an undivided portion of a donor's entire interest in property if the donee is given the right, as a tenant in common with the donor, to possession, dominion, and control of the property for a portion of each year appropriate to its interest in such property.

Line 2. Art—Historical Treasures

A **historical treasure** is a building, structure, area, or property with recognized cultural, aesthetic, or historical value, that is significant in the history, architecture, archeology, or culture of a country, state, or city.

Line 3. Art—Other

Enter on line 3 information about all other contributions of art in which the organization received the donor's entire interest in the property, including rare books and manuscripts.

Line 4. Books and Publications

Enter information about contributions of all books and publications, other than rare books and manuscripts reported on line 3.

Line 5. Clothing

Enter information about clothing items which were in good used condition or better. Clothing items that were not in good used condition or better are to be reported in "other" beginning with line 23.

Line 6. Household Goods

Household goods includes furniture, furnishings, electronics, appliances, linens, and other similar items. It does not include (1) food, (2) paintings, antiques, and other objects of art, (3) jewelry and gems, and (4) collections. Enter information about household goods that were in

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good used condition or better. Household goods which were not in good used condition or better are to be reported in “other” beginning with line 23.

Line 7. Cars and Other Vehicles

On this line include only contributions of motor vehicles manufactured primarily for use on public streets, roads, and highways. Do not include contributions of the donor's stock in trade or property held by the donor primarily for sale to consumers in the ordinary course of a trade or business. The organization is required to file Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, for certain of such contributions.

Line 8. Boats and Airplanes

Do not include contributions of the donor's stock in trade or property held by the donor primarily for sale to consumers in the ordinary course of a trade or business. The organization is required to file Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, for certain of such contributions.

Line 9. Intellectual Property

Intellectual property is any patent, copyright (other than a copyright described in section 1221(a)(3) or 1231(b)(1)(C)), trademark, trade name, trade secret, know-how, software (other than software described in section 197(e)(3)(A)(i)), or similar property. Certain contributions of intellectual property may require the organization to file a Form 8899, Notification of Income from Donated Intellectual Property, with the donor and the IRS with respect to such contribution.

Line 10. Securities—Publicly Traded

Publicly traded securities means securities for which (as of the date of the contribution) market quotations are readily available on an established securities market. For each security, treat each separate gift (rather than each share received) as an item for this purpose.

Line 11. Securities—Closely held stock

Closely held stock means shares of stock issued by a corporation that is not publicly traded. For each security, treat each separate gift (rather than each share received) as an item for this purpose.

Line 12. Securities—Partnership or trust interests

On this line enter information about contributions of interests in a partnership, limited liability company, or trust, which is not publicly traded. For each security, treat each separate gift (rather than each share received) as an item for this purpose.

Line 13. Securities—Miscellaneous

On this line enter information about contributions of securities that are not publicly traded securities, closely held stock, or partnership or trust interests. **Security** means any bond, debenture, note, or certificate or other evidence of indebtedness, issued by a corporation or a government or political subdivision, share of stock, voting trust certificate, or any certificate of interest or participation in, certificate of deposit or receipt for, temporary or interim certificate for, or warrant or right to subscribe to or purchase, any of the foregoing. For each security, treat each separate gift (rather than each share received) as an item for this purpose.

Lines 14-15. Qualified Conservation Contributions (historic structures and other)

A **qualified conservation contribution** is a contribution of a qualified real property interest exclusively for conservation purposes. A “qualified real property interest” means any of the following interests in real property:

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1. The entire interest of the donor,
2. A remainder interest,
3. A restriction (e.g., an easement), granted in perpetuity, on the use which may be made of the real property.

A “conservation purpose” means:

1. The preservation of land areas for outdoor recreation by, of the education of, the general public,
2. The protection of a relatively natural habitat of fish, wildlife, plants, or similar ecosystems,
3. The preservation of open space (including farmland and forest land) where such preservation is for the scenic enjoyment of the general public or is in accordance with governmental conservation policy, or
4. The preservation of an historically important land area or a certified historic structure.

See section 170(h) for additional information.

Line 14. Qualified Conservation Contribution—Certified Historic Structure

On this line enter information about contributions of a qualified real property interest that is a restriction with respect to the exterior of a certified historic structure. A *certified historic structure* is any building or structure listed in the National Register as well as any building certified as being of historic significance to a registered historic district.

Line 15. Qualified Conservation Contribution—Other

On this line enter information about all qualified conservation contributions other than those entered on line 14. This includes conservation easements to preserve land areas for outdoor recreation by or for the education of the general public, to protect a relatively natural habitat or ecosystem, to preserve open space, or to preserve an historically important land area.

Line 16. Real Estate—Residential

On this line enter information about contributions of residential real estate. Include information about contributions (not in trust) of a remainder interest in a personal residence which was not the donor's entire interest in the property. The term “personal residence” includes any property used by the donor as a personal residence and is not limited to the donor's principal residence. The term “personal residence” also includes stock owned by the donor as a tenant-stockholder in a cooperative housing corporation if the dwelling the donor is entitled to occupy as a tenant-stockholder is used by the donor as a personal residence.

Line 17. Real Estate—Commercial

On this line enter information about contributions of commercial real estate, such as a commercial office building. Include information about contributions (not in trust) of a remainder interest in a farm which was not the donor's entire interest in the property. The term farm refers to land used for the production of crops, fruits, or other agricultural products or for the maintenance of livestock. A farm includes the improvements located on the farm property.

Line 18. Real Estate—Other

On this line enter information about all real estate interests not reported on lines 16 or 17.

Line 19. Collectibles

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Collectibles include coins, stamps, books, gems, jewelry, sports memorabilia, dolls, etc., but not art as defined above.

Line 20. Food inventory

On this line enter information about food items, including food inventory contributed by corporations.

Line 21. Drugs and medical supplies

On this line enter information about drugs, medical supplies, and similar items contributed by corporations and other businesses that manufactured or distributed such items.

Line 22. Taxidermy

Taxidermy property means any work of art that is the reproduction or preservation of an animal, in whole or in part; is prepared, stuffed, or mounted to recreate one or more characteristics of the animal, and contains a part of the body of the dead animal.

Lines 23-26. Other

Use lines 23-26 to separately report other types of property that are not described above or reportable on previous lines. This includes items that did not satisfy specific charitable deduction requirements applicable to the contribution of such type of property, but which were contributed to the organization, such as clothing and household goods that were not in good used or better condition, and conservation easements that do not constitute qualified conservation contributions. Self created items, such as personal papers and manuscripts, are to be listed separately.

Line 27.

Enter the number of Forms 8283 received by the organization during the year for contributions for which the organization completed Part IV, Donee Acknowledgement. If the organization does not keep complete records of such forms, do not provide an estimate and leave line 27 blank.

Line 28.

Answer "Yes" on line 28a if the organization filed one or more Forms 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, for any contributions reported on lines 7 or 8 above, and enter the number filed for such contributions on line 28b.

Line 29.

Answer "Yes" if the organization received during the year a non-cash contribution reportable on lines 1 through 26 for which the organization is required, by the terms of the gift or otherwise, to hold the property for at least three years from the date of the contribution.